

**Message to Rye Voters and Taxpayers**  
**From the Rye Finance Committee**  
**Re: Proposed City 2007 Budget**

The following is a Citizens Budget Report prepared by the City of Rye's Finance Committee. The purpose of this report is to provide voters a streamlined version of the 2007 budget proposed first by the City Manager and the City Comptroller in early November (the "Tentative Budget") and then modified by the City Council (the "Proposed Budget"). The goal is to have an informed public that is familiar with the key issues and numbers in the Tentative Budget without going through the several hundred page budget document.

Ideally, we would have liked to provide this Report by mid-November, well ahead of the formal budget hearing which was held November 29. However, this is the first year we have prepared the Report and it was not possible to produce it earlier. Nevertheless, we hope the public finds the Report helpful in following the 2007 budget discussions. Please let us know whether the Report is helpful, whether you would like a similar Report to be available next year and, if so, what changes you would recommend. Send your feedback to Rye Finance Committee, c/o Finance Department, Rye City Hall.

The City Council held a series of workshops during November and then the public hearing on November 29 to consider the Tentative Budget. At their public hearing the Council made a number of changes to the Tentative Budget, arriving at the Proposed Budget which is expected to be considered for formal adoption at the December 13 Council meeting. Most of the Council's changes affected capital expenditures.

As this is written the Proposed Budget has not been published, but we have noted the changes considered by the Council. What follows is a summary of the Tentative Budget as well as changes that were voted by the Council and likely to be part of the Proposed Budget. These changes must be considered "unofficial" until the Proposed Budget is actually published.

## **OVERVIEW OF 2007 TENTATIVE BUDGET PROPOSAL FROM CITY STAFF**

The proposed 2007 tax rate is \$127.24 per \$1,000 assessed valuation, a 3.96% increase over 2006 tax rate.

The median home with a market value of approximately \$1.2 million and assessed at \$21,600 would see an annual tax increase of \$105.

Revenues budgeted in 2007 (including property taxes) are \$27.60 million, up \$387,000 or 1.4% from 2006 forecast.

Expenditures (including capital) are \$29.54 million, up \$1.55 million or 5.6% from 2006 forecast.

A deficit of \$1.94 million, to help pay for capital items (e.g. street paving, building repairs and the purchase of work vehicles), will be covered by a drawdown from the General Fund.

The \$3.83 million of unreserved, undesignated balances remaining in the General Fund equals 13% of Expenditures vs. the 5% policy requirement.

## **MAJOR COUNCIL CHANGES EXPECTED IN PROPOSED BUDGET**

The expenditures and deficit shown in the Council's Proposed Budget are expected to be about \$1.3 million higher than the figures shown above because of higher amounts for capital expenditures. Financing for these capital expenditures would come from the General Fund and additional borrowing.

The amount of unreserved, undesignated balances remaining in the General Fund would be closer to \$32.8 million, or 109% of total Expenditures. If only operating expenditures are considered, the unreserved, undesignated fund balance of \$2.8 million would represent 10.1% of operating expenditures.

## EXPENDITURES BY PROGRAM (\$ millions) IN STAFF TENTATIVE BUDGET

### **Public Safety:** **\$12.30 (+3% vs. 2006)**

Police	\$7.62
Fire	\$4.03
Miscellaneous (e.g. animal control, EMS)	\$0. <del>36</del> <u>23</u>
Traffic Services	\$0. <del>29</del> <u>41</u>

### **Community Environment:** **\$7.82 (+2%)**

Transportation (maintenance of roads, snow removal, street lighting, etc.)	\$2.90
Solid Waste (garbage collection, recycling)	\$2.30
Land Use Control (planning, engineering, building, conservation, etc.)	\$0.93
Land Maintenance (shade tree plantings, improving community environment)	\$0.92
Public Sanitation (i.e. sewers, drains)	\$0.77

### **General Government Services:** **\$3.80 (+10%)**

(City Council/Manager, and various City Departments:  
e.g. Finance, Assessor, Clerk, Law, Planning, Zoning, etc.)

### **Culture and Recreation:** **\$3.71 (+1%)**

Recreation Services (parks, playgrounds)	\$2.27
Cultural Services (e.g. Library)	\$1.24
Special Facilities ( <del>e.g. RCTV</del> ) _____	\$0.20

### **Other Financing Uses:** **\$1.90 (+15%)**

(includes contingency appropriations and inter-fund  
transfers to ~~subsidize operations~~/fund ~~debt service~~/projects)

<b>TOTAL EXPENDITURES BY PROGRAM</b>	<b>\$29.54 (+5%)</b>
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## MAJOR COUNCIL CHANGES EXPECTED IN PROPOSED BUDGET

The impact of additional capital expenditures must be incorporated in the above figures.

## EXPENDITURES BY TYPE OR OBJECT (\$ millions) IN STAFF TENTATIVE BUDGET

Salaries and Wages:	\$11.99 (+4%)	
Employee Benefits:	\$6.1 <del>5</del> <b>6</b> (+6%)	
Contractual Costs: (payments to internal service funds, e.g. building maintenance fund; payments to professional parties, e.g. consultants, attorneys)	\$6.73 (+3%)	
Materials and Supplies: (e.g. salt for roads, lawn supplies, office supplies)	\$2.32 (level)	
<del>Debt Service</del> Other Financing Uses:————— (i.e. <del>debt amortization—principal and interest</del> contingency, debt service, capital expenditures)	\$2.04 (+46%)	
Non-Capitalized Equipment (e.g. computers and other office equipment)	\$0.3 <del>0</del> <b>1</b> (-20%)	
TOTAL EXPENDITURES BY TYPE OR OBJECT	\$29.54 (+5%)	

## MAJOR COUNCIL CHANGES EXPECTED IN PROPOSED BUDGET

~~The impact of additional capital expenditures must be incorporated in the above figures.~~Council changes to the above expenditures by type or object increased the Other Financing Uses, increasing that item from \$2.04 million to \$3.36 million. This increase represents the additional amounts appropriated for capital items: \$700,000 for Theall Road; \$200,000 for the Peck Avenue/Midland Avenue intersection improvements; \$350,000 for traffic lights in the central business district, and \$67,500 for the engineering and design of the Bowman Avenue Spillway repair project. All other revenues and expenditures remained the same as those found in the budget proposed by the City Manager.

## REVENUES BY SOURCE IN STAFF TENTATIVE BUDGET

<b>Property Tax:</b>	<b>\$17.84 (+5%)</b>	
<b>Intergovernmental Revenues:</b>	<b>\$2.81 (-16%)</b>	
Mortgage taxes	\$1.50 (-32%)	
Revenue sharing ( <i>e.g. state aid</i> )	\$1.30	
<b>Non-Property Tax Items:</b>	<b>\$2.49 (+9%)</b>	
Sales tax	\$1.95	
Gross Utility Receipt taxes	\$0.39	
Hotel Occupancy Tax	\$0.15 (new)	
<b>Licenses and Permits:</b>	<b>\$1.35 (-3%)</b>	
Building and Alterations	\$0.78	
Parking Permits	\$0.38	
Miscellaneous ( <i>e.g. street opening, alarms</i> )	\$0.19	
<b>Charges for Services:</b>	<b>\$1.34 (+2%)</b>	
Culture and Recreation	\$0.81	
Community Environment	\$0.45	
( <i>Includes \$180,000 from the new parking stations</i> )		
<b>Interest Income:</b>	<b>\$0.71 (-9%)</b>	
<b>Fines and Forfeitures:</b>	<b>\$0.48 (-1%)</b>	
( <i>e.g. vehicle moving violations and parking violations</i> )		
<b>Inter-fund <del>Transfers</del>Revenues</b>	<b>\$0.43 (-3%)</b>	
( <i>revenues from other funds, e.g. the General Fund charges the Golf Club for garbage collection</i> )		
<b>Miscellaneous</b>	<b>\$0.15</b>	
<b>TOTAL REVENUES BY SOURCE</b>	<b>\$27.60 (+1.4%)</b>	

## MAJOR COUNCIL CHANGES EXPECTED IN PROPOSED BUDGET

~~Inter fund transfers and interest income may be impacted by the Council's additions of some capital expenditures.~~ City Council changes did not affect the revenue estimates. While the use of fund balance for major capital projects will reduce the amount available for investment, the majority of funds needed to pay for work on these projects is expected to be needed towards the end of 2007.

## CAPITAL ITEMS IN STAFF TENTATIVE BUDGET

<u>Projects:</u>		<u>Financing:</u>	
Traffic Signals	-\$ 200,000	Fund Balances	\$1,831,00350
Annual Street Resurfacing	500,000	<del>Existing Debt</del>	<del>400,000</del>
<u>150,000</u>		<u>New Debt</u>	<u>250,000</u>
Other Infrastructure	437,000	<del>Grants &amp; Other</del>	
<u>279,000</u>		<u>Grants &amp; Other</u>	<u>278,700000</u>
Damiano & Gagliardo Parking	171,500		
Tennis Fence & Backstop	75,000		
City Hall & DPW	290,000		
Vehicles	<u>836,5507,000</u>		
Total	-\$2,510,0050		<u>\$2,510,0050</u>

## MAJOR COUNCIL CHANGES EXPECTED IN PROPOSED BUDGET

The Council approved the following additional projects: \$1.4 million for the reconstruction of Theall Road, funded 50% by available fund balance and 50% by new debt; \$200,000 for improvements to the Peck Avenue/Midland Avenue intersection to be funded by fund balance (rather than debt as approved in the 2006 budget), and \$350,000 for the installation of synchronized traffic signals in the central business district. The Council deauthorized the following projects approved in the 2006 budget: \$950,000 for the reconstruction of Theall Road (replaced with the aforementioned \$1.4 million project); \$450,000 for the resurfacing of Boston Post Road from the Rye Golf Club to the Mamaroneck line, and \$150,000 for the engineering and design of Purchase Street. The Council also amended the proposed Bowman Avenue Spillway project, authorizing \$67,500 of fund balance for the engineering and design of the project while deferring the \$250,000 to be bonded for the total estimated project costs. and cut some others suggested by Staff. The additions included the following, some of which are carried over from the 2006 budget but were not funded then: \$1.4 million for Theall Rd. reconstruction; \$350,000 for central business district projects including widening Theodore Fremd with light and cross walk changes; and \$200,000 for widening Peck Ave. Financing would be a mix of debt and transfers from existing fund balances.

## DEBT INFORMATION IN STAFF TENTATIVE BUDGET

Total Debt Service for 2007 for the General Fund, Building Fund and Golf Club:

Principal Payments	\$1.09 million (General Fund share is \$67,000)
Interest Payments	<u>\$0.95 million</u> (General Fund share is \$71,000)
Total	\$2.04 million

Total Debt Outstanding (assumes issuance of new debt in 2007):

as of January 1, 2007:	\$22.36 million;
as of December 31, 2007:	\$23.54 million.

**Note: These debt numbers are not likely to change in 2007 even with authorization of additional capital expenditures and debt because of the time required for implementation.**

## DID YOU KNOW?

- The expenses and revenues forecast for 2006 and used in the above comparisons with 2007 produce a budget deficit of \$771,000 for 2006, although the City may achieve a surplus for 2006. (2003, 2004 and 2005 all recorded surpluses but had been budgeted to have deficits.) To the extent the 2006 deficit is less than \$771,000, additional funds would be available for use for the capital expenditures in 2007 future budgets.
- Property taxes represent 63% of 2007 revenues.
- Only 16% of your property taxes are covered by this budget. 62% of your property taxes go to one or the other of Rye's two school districts and 22% to Westchester County.
- Projected unreserved, undesignated balances in the General Fund are expected to equal between 10 % and 13% of expenditures compared to the 5% policy requirement.
- Elastic revenues beyond the City's control (e.g. sales tax, mortgage tax, etc.) are projected at 14.5% of total revenues, below the 17.4% achieved last year and the average of 16.6% for the last six years. Specifically, 2007 mortgage tax revenues are forecast to decrease \$700,000 (an amount equal to 2.5% of total revenues) from 2006.
- Apart from the proposed property tax increase of 3.96% (approximately \$850,000), new revenue items in the 2007 budget include \$150,000 from the new hotel occupancy tax and \$180,000 from parking meters.
- Over 60% of the City's expenditures are for salaries and benefits, which are expected to increase 4% and 6% respectively, pursuant to labor contracts.
- Although not in their Tentative Budget, the City Staff recommended an \$8.5 million bond referendum to pay for the purchase (\$5 million) of 1037 Boston Post Road (the former CVS building), possibly for use as a new police/court facility, some road improvements (including Theall Rd.) and several other projects. Several City Council members questioned this, arguing a decision on the police/court facility is premature, so no action has been taken on this proposal. However, reconstruction of Theall Road was added to the Proposed Budget.
- The City Council is examining a new funding model (effective 2008) for the Rye Free Reading Room which would require it to secure its operating revenue through a public budget vote. (The Library currently obtains 75% of its funding from the City Council through the annual budget process, with donations accounting for the remaining 25%.) As of this writing no action has been taken on this proposal.
- The Rye Golf Club (RGC), the debt of which is guaranteed by the City, is proposing to run the restaurant and catering facility at RGC's Whitby Castle. RGC argues that this approach will produce a better financial result for the City than the previous concession arrangement with Restaurant Associates, which declined to renew its lease last year.